



About the Company

V-Mart – founded in 2002, offers fashion apparel, footwear, home furnishings, general merchandise, and Kirana, among others. The company is led by the concept of ‘value retailing’ and caters to the needs of value and fashion-conscious consumers living in tier II, III, and IV cities across India. As of Mar-23, V-Mart has 423 stores. It is majorly concentrated in three states of Uttar Pradesh, Bihar, and Jharkhand, which accounts for ~50% of the stores' count. These three states are the largest value-conscious consumer market in India. In Jul'21, V-Mart acquired “Unlimted” stores from Arvind Lifestyle, facilitating its entry into West and South India.

Investment Rationale

- A. Performance likely to revive going forward:** Higher inflation and increase in prices of essential goods have been impacting overall consumption in rural and smaller towns. However, the demand environment is expected to normalize in Tier 2-3 towns (which are V-Mart's key markets) on account of moderating inflation, rural revival, government spending ahead of the election year, and high remittances. This, in turn, is expected to result in footfall recovery in FY24. Keeping this in view, we expect traction in the value retailers such as V-Mart to report healthy performance going ahead.
- B. Strategic initiatives for the long term –** In the last 16-18 months, the company has done three strategic capital allocation decisions – acquisition of Unlimited (sep-21), acquisition of Limeroad (Nov'22) and investment in a warehouse. The management stated that all these initiatives will support the future growth of the company in the long run.
- C. Unlimited stores:** V-Mart acquired Unlimited stores from Arvind Lifestyle in Jul'21 (80 stores as of Dec'22) which will help it enter West and South India. It aims to cross-populate selective stocks from South to North and vice-versa to add more variety and better options for consumers of both geographies. While its performance had slowed down due to Covid-19 disruptions, the full potential of Unlimited stores will start reflecting in coming quarters as the situation normalizes and the company further penetrates into small towns.
- D. Outlook & Valuation –** We believe value players such as V-Mart and Relaxo should see earnings and profitability improvement as rural and small towns recover coupled with market share gain from smaller/unorganized players, continued demand for quality value-for-money products, and sustained product additions.
- E. Recommendation:** We recommend a BUY with a near-term TP of Rs 2,360/share, implying an upside of 10% from the CMP.

Financial Summary

Y/E	Sales	EBITDA	PAT	EPS	P/E	ROE	ROCE	EV/EBITDA
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(X)	(%)	(%)	(X)
FY22	1,666	204	116	5.9	NA	1.4	5.8	24.4
FY23E	2,429	325	737	37.4	57.7	8.0	9.5	15.2
FY24E	2,982	403	1,150	58.4	36.9	11.1	11.6	12.3
FY25E	3,618	488	1,623	82.4	26.2	13.5	13.4	10.0

Source: Axis Securities; CMP as on 12th May, 2023

CMP (Rs)	Target (Rs)	Potential Upside (%)
2143	2360	10%

MARKET DATA

No. of Shares	1.97 Cr
Market Cap	4,259
52-week High / Low	3426/2033
BSE Code	534976
NSE Code	VMART

Why V-Mart Retail Ltd

- ✓ **Consumer sentiments reviving**
- ✓ **Strategic initiatives driver**
- ✓ **Unleashing ‘Unlimited’ stores**

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